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"A study of Impact of COVID-19 on Start-Ups, MSMEs with special reference to Latur District"

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Introduction:

The outbreak of COVID-19 has impacted nations in an enormous way, especially the nationwide lockdowns which have brought social and economic life to a standstill. A world which forever buzzed with activities has fallen silent and all the resources have been diverted to meeting the never-experienced before crisis. There is a multi-sectorial impact of the virus as the economic activities of nations have slowed down or shut down. What is astonishing and worth noting is an alarm bell which was rung in 2019 by the World Health Organization (WHO) about the world's inability to fight a global pandemic. This COVID-19 pandemic affected the Start-ups, Micro, Small, & medium industries, manufacturing sector and the services sector including hospitality, tours and travels, healthcare, retail, banks, hotels, real estate, education, health, IT, recreation, media and others. The economic stress has started and will grow rapidly. While lockdown and social distancing result in productivity loss on the one hand, they cause a sharp decline in demand for goods and services by the consumers in the market on the other, thus leading to a collapse in economic activity. Therefore, the economic impact of COVID-19 is expected on every sphere including growth, international trade, financial markets, unemployment, income, poverty and many more variables.

A micro virus has eroded wealth and corroded investor confidence, slowed-down private consumption and investment, disrupted workplaces and distorted markets. The high impact sectors in terms of risk on account of Covid-19 are aviation, hotels, restaurants, retail, shipping, ports and port services. The medium impact sectors are automobiles, building materials, residential real estates while the low impact sectors include education, dairy products, fertilizers, FMCG and healthcare among others. Micro, small and medium enterprises exporters have been impacted more by the lockdown on account of Covid-19 pandemic as the sector accounts for over 45 per cent in the country's total outbound shipments. They will also face issues in calling back their workers as

several of them have migrated to their villages and towns. Coronavirus (COVID-19) is having an unprecedented and unpredictable impact on the world's economy. The pandemic has driven the world toward adapting to the current circumstances regardless of the business, sector, or industry. The COVID19 has affected the global economy and service sector. In this study, we discuss the gaps in the literature surrounding the economy and economic environments and encourage future research to focus on the stress and well-being explanation, particularly in response to the pandemic decline. This study also established what sectors are badly affected during this pandemic and need thorough rehabilitation. Only a few sectors show fewer losses or are doing well during the current pandemic.

Impact on Start-Ups and Micro, Small and Medium Enterprises:

Micro, Small and Medium enterprises, which have created more than 90 per cent of the jobs in India, employing over 114 million people and contributing 30 per cent of the GDP are at the risk of having a severe cash crunch. Many of these MSMEs have loan obligations and monthly EMIs to pay. Many of them might just disappear if their cash cycle is disturbed because of the lockdown, with fixed costs dangling over them in such a situation. They need a moratorium for loan repayments. RBI has released funds to non-banking financial corporations, some of whom provide finance to MSMEs. In addition to that, movement of perishable goods is hampered and thus, these businesses stare at huge losses. India cannot have a real and sustainable growth without having a thriving MSME sector. The COVID-19 crisis will also test the resilience of start-ups in India. Start-ups have to rely on cross-border fund raising. Several founders are seeing their businesses grinding to a halt. Receivables are spiralling and they have to undertake painful cost-reduction measures in their ventures. Government will have to make funds available to this sector, as venture capital firms may take a little longer to come and support because of the restricted global capital flows.

Review of Literature:

In every study a good literature review does not only provide knowledge about what has been done in the research area but also strengths and weaknesses upon which one can also build an insightful and purposeful study. In review of literatures, an attempt has been made to review, research papers, articles and books related to the selected topic.

1. **Chaudhary, Sodani, Das (2020)[1] -**This study assessing the impact on affected sectors, such as aviation, tourism, retail, capital markets, MSMEs, and oil. International and internal mobility is restricted, and the revenues generated by travel and tourism, which contributes 9.2% of the GDP, will take a major toll on the GDP growth rate. Aviation revenues will come down by USD 1.56 billion. Oil has plummeted to 18-year low of $ 22 per barrel in March, and Foreign Portfolio Investors (FPIs) have withdrawn huge amounts from India, about USD 571.4 million. While lower oil prices will shrink the current account deficit, reverse capital flows will expand it. Rupee is continuously depreciating. MSMEs will undergo a severe cash crunch. The crisis witnessed a horrifying mass exodus of such floating population of migrants on foot, amidst countrywide lockdown. Their worries primarily were loss of job, daily ration, and absence of a social security net. India must rethink on her development paradigm and make it more inclusive. COVID 19 has also provided some unique opportunities to India. There is an opportunity to participate in global supply chains, multinationals are losing trust in China. To 'Make in India', some reforms are needed, labour reforms being one of them.

2. **Bhagat (2020)[2] -** Besides the impact on human lives and global supply chain, the pandemic is a severe demand shock which has offset the green shoots of recovery of the Indian economy that were visible towards the end of 2019 and early 2020. India is at a crucial juncture in its fight against

COVID-19. The country has responded with urgency and determination as reflected in the Prime Minister's bold and decisive leadership. The government has also aggressively stepped up the response measures find, isolate, test, treat and trace. WHO is supporting the government' endeavour to further strengthen and intensify surveillance and build capacity of the health system.

3. **Jadhav (2020)[3] -** The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare, to sector related incentives and tax deadline extensions. With the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. This study revealed the potential impact of the shock on various sectors like manufacturing, financial services, banking, infrastructure, real estate, and services and put forward a set of policy recommendations for specific sectors.

4. **Mahajan (2020)[4] -** The Indian economy is undergoing significant field of growth in SME's with diverse businesses, including machinery and equipment production, metal and electrical goods, cement, food and beverages, materials for building and development, rubber and plastic items and automation technology. The Covid-19 pandemic has had an effect on all economic sectors but nowhere is it affected so much as the MSMEs in India. The paper studies the impact of coronavirus on SME's in India. After the dust settles, SME's find it necessary, with time to stay competitive, to evolve and alter. The responses to this issue include the introduction of protection procedures, sanitation and sanitization methods,

an updated sourcing policy, the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience, an analysis of disaster or emergency management plans. In this way SME's can cope with the coronavirus pandemic.

5. **Sahoo & Ashwani (2020)[5] -** The study make an assessment of COVID-19 on Indian economy by analysing its impact on growth, manufacturing, trade and micro, small and medium enterprises sector, and highlights key policy measures to control the possible fallout in the economy. The impact of the pandemic across sectors and in different scenarios of complete, extended and partial lockdown, and at different levels of capacity utilization is massive on the Indian economy. India's economy may barely manage to have a positive growth of 0.5 per cent in an optimistic scenario but also faces the possibility of a 3–7 per cent negative growth in worst case scenarios for the calendar year 2020. The impact is severe on trade, manufacturing and MSME sectors. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures.

6. **Pavan Kumar & Nagrani (2020)[6] -** The service sector can be explained as an intangible economic activity that can neither be stored nor result in any ownerships, but plays as a very crucial role in the country's economy. The service sector has a very significant impact on the India's economy by its contribution of 55 per cent of the total economy. The Covid-19 has worst impacted each and every sector of the market so as the service sector. Every pandemic brings change in the consumers' choices and preferences which could highly impact the markets. This paper tries to measure the impact that service sector has due to this pandemic challenges in the period

of the corona crisis. The study also suggests few possible solutions to the challenges that raised due to corona crisis.

Research Gap & Importance of Present Study:

Most of existing studies have focused on impact of Covid-19 on various sectors in India. In this context, the present study aims to make an assessment of impact of COVID-19 on Indian economy and highlights key policy measures to control the possible fallout on the economy with special reference to Latur districts in Maharashtra state. The study contributes the existing literature while analysing the impact on Indian economy with more focus on growth, trade, manufacturing, MSMEs& Services sector. The study basically focuses on assessing the damages caused by COVID-19 in the affected sectors, such as Business, Industry (MSMEs) and Services sector, the overall productivity loss and the socio-economic impact of labour hours lost with an analysis of developmental policy and programme implications. The study focuses on the sectors that are badly hit by the outbreak and will discuss the strategies and responses are taking to sustain their economies. The study also considers that the vital role of Information Technology and digitization supports the economies in their fight against the pandemic and helps them sustain themselves amid crises. No any such type of study was conducted in Latur district earlier; that's why the researcher selected the topic purposively.The study is valuable to Economist, Planners, Employer, Researchers and those having special interest in this sector. With the following objectives the present study is undertaken.

Objectives of Study:

The major objectives of this study are:

1. To understand brief impact of Covid-19 on Indian Economy.
2. To study the impact of COVID-19 on employment in Start-Ups, Micro, Small and Medium Enterprises and Services Sector units in Latur District.

3. To study the role of Information Technology supports in fight against the pandemic and helps them sustain themselves amid crises.
4. To find out the challenges raised and opportunities created by COVID-19 in Start-Ups, MSMEs and Services Sector units in Latur District.
5. To suggest measures to improve the present situation of Covid-19.

Hypotheses Formulated:

The following hypotheses are formulated for the present study.

1. Start-Ups, Micro, Small and Medium Enterprises and Services Sector in Latur district highly suffered from COVID-19
2. The impact of the COVID-19 pandemic on services economy has not been fully realised.
3. Business activity in Latur district was reduced in response to weaker demand and firms responded by reducing their workforces.

Research Methodology:

The present study will be carried out during the pandemic period (First and second wave) and at the height of COVID-19 with a strict lockdown situation. Therefore, the researchers will mostly use publicly accessible data to analyse the on-going global recession based on national website data. The study's goal is to evaluate the adverse effects of COVID-19 on various industries, such as Start-Ups, Micro, Small and Medium Enterprises and Services Sector. For evaluation purposes, the researcher performed the literature review, including reviews of books, journal articles, official websites, to record the secondary data for information dissemination. These sources are considered secondary data utilized for analysis published in academic journals, historical records, government documents, and statistical databases. This research studies the present impact of coronavirus on Start-Ups, Micro, Small and Medium Enterprises and Services Sector in Latur district. The study is descriptive in nature. The study mainly uses

primary and secondary data for the analysis of the Start-Ups, Micro, Small and Medium Enterprises and Services Sector. The secondary data collected from journals, books, websites, blogs, magazines and newspapers in India. The study also critically analyses the present situation of Start-Ups, MSMEs and Services Sector and its impact on employment.

Latur District Profile:

Latur is a district in Maharashtra state of India. It is the 16th largest city in Maharashtra with district headquarters located in the city. The district comes under Marathwada region of Maharashtra. The Latur District is in the south-eastern part of the Maharashtra state. Parbhani is located towards the north of the district, Nanded on its northeast, Bidar on the east and northeast, Osmanabad towards its south and west and Beed district towards its southeast. The district is divided 3 Sub Divisions namely Latur, Nilanga & Udgir. The area of Latur district is 7157sq.kms. The district is divided into five sub-divisions and 10 Talukas. The number of village in Latur district according to the 2011 census is 948. Latur became one of the important trading hub. It is an industrial center as well as agriculture-based economy. Latur has become the rising Industrial Hub of Marathwada[7].

Data Collection:

Data collection can be defined as the process of collecting, interpreting and analysing the collected information for research using some standard techniques. There are modes ways of collecting the data; the modes that are opted for this research are as follows:

- **Primary data:** Primary data is the data collected for the first time using the methods like surveys, interviews, or experiments. It is collected directly from the primary source. In this research the data will be collected by

Questionnaires contains systematic sequence of questions, telephonic interviews and online polls.

- **Secondary data:** Secondary data refers to data collected by someone other than the current researcher. Secondary data analysis is a time saving process as we will get detailed Information, we no need to spend time in gathering the information. In secondary data mostly the data is gathered from surveys. The secondary data for this research has been collected from various sources like Research articles, Magazines, Books, Journals and press releases of government of India.

Variables and Data Sources:

The present study relies on the primary and secondary data to make an impact assessment of COVID-19 on Start-Ups, Micro, Small and Medium Enterprises and Services Sector units in Latur District. The data sources are reports of National Account Statistics, a publication of ministry of statistics and programme implementation (MOSPI); Handbook of Statistics on Indian Economy and Monthly Bulletin, Reserve Bank of India; Export–Import Database, Ministry of Commerce, Government of India; and annual reports of Ministry of Micro Small and Medium Enterprises.

Sample Size:

Total numbers of 440 respondents will be selected from existing Start-Ups, Micro, Small and Medium Enterprises and Services Sector units in Latur District. The following table shows the details of sample selection.

Sample Selection:

Sr.	Category	Manufacturing & Services Industries in the Latur District	20% Sample Selection
1	Start ups	117	24
2	Micro Industry	1560	312
3	Small Industry	491	98
4	Medium Industry	23	6
	Total:	**2,191**	**440**

Source: District survey report for Latur District.

Questionnaire Design:

To design questionnaire respondents were informed about the aims and objectives of the questionnaire and provided information will be confidential use only for this research study. Questionnaire is consist of three parts; first part is consist of demographic questions of about five to eight questions and second part is consist of about fifteen questions to ask respondent about regular business activities. Lastly open ended questions will be added to ask responded to answer the impact of COVID-19 on business operations. The questionnaire is specifically design to accomplish the objectives of the study.

Data Analysis:

The collected data will be properly classified and analysed with the help of statistical techniques and computer software such as average, percentage, ratios, chi-square test, etc.

Period of study:

The study will be carried out for 5 year i.e. 2016-2021 which analyse effect of pre covid-19 and post period of covid-19

Scope of the Study:

The geographical scope of the study is Latur district of Maharashtra State of India. The research studies only the impact of COVID-19 on Start-Ups, Micro, Small and Medium Enterprises and Services Sector units. The study is limited to the Latur district of Maharashtra State. Time and cost constraint is one of the important limitations of the study.

Chapter Scheme:

The present research work will be presented in the following six chapters:

1. Introduction.
2. Research Methodology and Review of Literature.
3. Historical background of MSME in India.
4. Impact of COVID-19 in Latur District on MSME.
5. Analysis and comparison of MSME in Covid-19 Period.
6. Findings, Conclusions and Suggestions.

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